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Subsidy fight splits farm groups

by: Phil Brasher

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With lawmakers rushing to write a new budget-cutting farm bill, grower groups are tussling with each other over how they want taxpayers to subsidize their crops.

A popular idea being pushed by groups of corn and soybean growers and Sen. John Thune, R-S.D., would provide payments to farmers for losses not covered by their federally subsidized crop insurance.

But the American Farm Bureau Federation, the nation's largest farm organization, says such plans could encourage growers to take excessive risks at taxpayer expense.

"The government shouldn't really be guaranteeing that everyone is going to make money every time," said Scott VanderWal of Volga, S.D., president of the South Dakota Farm Bureau.

Craig Lang, the Iowa Farm Bureau president, said he worries that large farms would be more likely to rent or buy yet more land, knowing that there was relatively little risk in expanding. That in turn would make it harder for younger farmers to find the acreage they need to get into the business, said Lang, who farms near Brooklyn, Ia.

The dispute comes as the House and Senate agriculture committees are writing a new way of subsidizing farmers that would save money while protecting farms against crop losses or drops in prices. The lawmakers hope the new farm program could be included in a deficit-reduction plan that a congressional supercommittee is charged with writing this fall.

The money for the subsidies would come from eliminating the $4.8 billion in fixed payments that the Agriculture Department now distributes to grain and cotton growers across the country each year. Some of the money would be put toward reducing the federal deficit while the rest would go into the new program.

With farm income is soaring, the fixed annual payments have come under increasing attack because they don't vary no matter how well farmers are doing.

The Farm Bureau's stance has put the group in the odd position of agreeing with critics of federal spending such as the Cato Institute, a think tank that promotes free-market economic policies. "The Farm Bureau has a point when they say that by Advertisement protecting farmers from so much of the downside risk, it could be encouraging risky behavior," said Sallie James, a Cato policy analyst.

The idea behind plans like Thune's is to provide an additional layer of protection above what farmers get from crop insurance, which typically covers about 70 percent of a grower's revenue. The plan includes sufficient limits on when payments are triggered to discourage farmers from taking on more risk, according to Thune aides.

Such a plan is “important to keep a lot of our producers out of the red,” said Chandler Goule, vice president of government relations for the National Farmers Union.

Young farmers would benefit because it should be easier for them to convince a bank that they will be viable, said Mindy Larson-Poldberg, who follows federal policy for the Iowa Corn Growers Association.

The Farm Bureau has countered with a plan that would provide farmers with an insurance policy that would pay out in case of a sharp drop in revenue for their county. Farmers would be charged a small administrative fee and could buy additional insurance if they chose. Depending on the potential cost to the federal budget, the low-cost policies could be designed to cover 70 percent to 80 percent of a farm’s revenue risk.

Farmers would be less likely to get money from the government under the Farm Bureau plan since it would take a larger loss to trigger payments, said Bruce Babcock, an economist at Iowa State University.

Payments also would vary widely by state under the Farm Bureau plan.

Farms where crop yields are relatively consistent from year to year would be less likely to get payments.